



ARIZONA STATE SENATE
Fifty-Fifth Legislature, Second Regular Session

FACT SHEET FOR H.B. 2320

veterans' organizations; leased property; classification

Purpose

Classifies property, buildings and fixtures that are leased to a veterans' organization as class 9 property and exempts property owned by or leased to a veterans' organization that is primarily used for veterans' organization operations from property tax. Prescribes requirements for property tax classification affidavits.

Background

Property is classified for assessment purposes into nine classes for the common treatment of the property. Class 9 property includes property, buildings and fixtures that are leased to nonprofit charter schools, residential treatment and education centers, churches and religious assemblies or institutions. The assessed valuation of class 9 property is one percent of its full cash value or limited valuation, as applicable. The Arizona Constitution allows the property of non-profit charitable associations or institutions to be exempt from property tax, subject to the limitations prescribed by statute (A.R.S. §§ [42-11132](#); [42-11132.01](#); [42-12009](#); [42-12010](#); [42-15009](#); and [Ariz. Const. art. 9 § 2](#)).

A veterans' organization exempt under Section 501(c)(19) of the U.S. Internal Revenue Code (U.S. IRC) must be either: 1) a post or organization of which at least 75 percent of the members are past or present members of the U.S. Armed Forces; or 2) an auxiliary unit or society of a post or organization. A veteran's organization exempt under Section 501(c)(3) of the U.S. IRC must be organized and operated exclusively for outlined purposes, including charitable purposes, and the earnings of the organization may not benefit any private shareholder or individual ([26 U.S.C. § 501](#)).

If the class 9 property classification and property tax exemption for property, buildings and fixtures that are leased to a veterans' organization results in a change to the statewide net assessed valuation, there may be an impact to the state General Fund.

Provisions

1. Exempts, from property tax, property, buildings and fixtures that are owned by or leased to a veterans' organization and that are primarily used for veterans' organizations operations.
2. Classifies, as class 9 property, real property and improvements, including buildings, furniture, equipment and fixtures, regardless of ownership, that are leased to, and used exclusively by, a veterans' organization's post on the premises.

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3. Stipulates that if only part of the parcel or improvements to real property is leased to a veterans' organization and primarily used or held for veterans' organization operations, only the leased portion qualifies as class 9 property.
4. Requires, for leased property to qualify for the class 9 classification, a veterans' organization to annually file an affidavit with the county assessor that the organization:
 - a) continues to use or hold the property primarily for the veterans' organization operations; and
 - b) is the sole economic beneficiary of the class 9 property classification.
5. Requires a property owner that leases property to a veterans' organization to file an affidavit with the county assessor stating that the veterans' organization is the sole beneficiary of the change in property tax classification and that the charged lease rate is consistent with the lease rates charged to other tenants of the property or a fair market rate.
6. Exempts a veterans' organization that owns the property, if the veterans' organization files with the county assessor evidence of the organizations' tax-exempt status and an affidavit that the property is primarily used or held for veterans' organization operations, from filing subsequent affidavits until all or part of the property is conveyed to a new owner or is no longer primarily used or held by the veterans' organization.
7. Requires a veterans' organization that owns the property to notify the county assessor in writing, if the property is conveyed to a new owner or is no longer primarily used or held by the veterans' organization.
8. Defines *veterans' organization* as a U.S. veterans' organization that qualifies as a charitable organization and is recognized under section 501(c)(3) or 501 (c)(19) of the U.S. IRC.
9. Makes technical and conforming changes.
10. Becomes effective on the general effective date.

House Action

WM	2/2/22	DP	6-0-4-0
MAPS	2/14/22	DP	15-0-0-0
3 rd Read	2/24/22		59-0-1

Prepared by Senate Research
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